

CANADA-UNITED STATES
INTERPARLIAMENTARY GROUP

REPORT

ON THE

SEVENTEENTH MEETING, HELD AT
KEY BISCAVNE, FLORIDA
JANUARY 29-FEBRUARY 2, 1976

BY

SENATOR GALE W. MCGEE, *Chairman*

OF THE

SENATE DELEGATION



AUGUST 1976



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CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

BACKGROUND

The basic authority for U.S. Participation in the Canada-United States Interparliamentary Group is contained in Public Law 86-42, which was adopted on June 11, 1959. Under the provisions of this law, not to exceed 24 Members of Congress (12 from the Senate and 12 from the House of Representatives) are appointed to meet annually with representatives of the Canadian Parliament "for discussion of common problems in the interest of relations between the United States and Canada." The meetings are held alternately in Canada and the United States.

COMPOSITION OF DELEGATIONS

The U.S. delegation to the 17th meeting of the Canada-United States Interparliamentary Group consisted of the following Senators and Representatives:

From the Senate: Gale W. McGee, Wyoming; Quentin N. Burdick, North Dakota; Ernest F. Hollings, South Carolina; Mike Gravel, Alaska; William D. Hathaway, Maine; Carl T. Curtis, Nebraska; and Ted Stevens, Alaska.

From the House of Representatives: Thomas E. Morgan, Pennsylvania; Dante B. Fascell, Florida; Harold T. Johnson, California; William J. Randall, Missouri; Sam M. Gibbons, Florida; Claude Pepper, Florida; Robert C. McEwen, New York; Lloyd Meeds, Washington; Philip E. Ruppe, Michigan; Pierre S. duPont, Delaware; Jack Kemp, New York; Max Baucus, Montana; and John J. LaFalce, New York.

Senator McGee and Representative Morgan served as Co-Chairman of the U.S. delegation.

The Canadian delegation was composed of the following:

From the Senate: A. A. Macnaughton, P.C. (Sorel); Jacques Flynn, P.C. (Quebec); Martial Asselin, P.C. (Quebec); W. M. Benidickson, P.C. (Ontario); Allister Grosart (Ontario); Paul C. Lafond (Quebec); George C. van Roggen (British Columbia); and John M. Godfrey (Ontario).

From the House of Commons: Mr. Martin O'Connell, P.C., M.P. (Scarborough East); Mr. Andrew Brewin, M.P. (Ontario); Mr. David MacDonald, M.P. (Prince Edward Island); Mr. Lincoln Alexander, M.P. (Ontario); Mr. Jacques Guilbault, M.P. (Quebec); Mr. Jack Marshall, M.P. (Newfoundland); Mr. Gilbert Rondeau, M.P. (Quebec); Mr. Jacques Trudel, M.P. (Quebec); Mr. Jack Murta, M.P. (Manitoba); Mr. Peter Bawden, M.P. (Alberta); Mr. Frank Oberle, M.P. (British Columbia); Mr. John Roberts, M.P. (Ontario); Mr. W. Ken Robinson, M.P. (Ontario); Miss Coline Campbell, M.P. (Nova Scotia); Mr. Ed. Lumley, M.P. (Ontario); and Mr. Roger Young, M.P. (Ontario).

Senator Macnaughton and Mr. O'Connell served as Co-Chairmen of the Canadian delegation.

The Honorable Renaude Lapointe, The Speaker of the Senate, accompanied the delegation in her capacity as an Honorary President of the Canadian Section.

ORGANIZATION OF MEETING

The 17th meeting of the Canada-United States Interparliamentary Conference was formally opened by the Mayor of Miami, the Honorable Maurice Ferre, at a plenary session held in the Royal Biscayne Hotel on January 30, 1976. Thereafter, for discussion purposes, the delegates were divided into three committees. Set forth below are the agendas and reports of those committees, as well as the names of the United States and Canadian delegates who served on each committee.

COMMITTEE I—TRANS-BORDER ENVIRONMENTAL ISSUES

1. Great Lakes Water Quality Agreement.
2. Trans-boundary river pollution problems:
 - (a) Garrison Diversion Unit
 - (b) Flathead River
 - (c) Richelieu and Lake Champlain.
3. Coastal pollution problems—tankers and refineries: West Coast; Eastport.
4. Salt water boundary issues off Maine and the West Coast.
5. Law of the Sea.
6. Canadian cultural legislation and regulations:
 - (a) Income Tax Act changes affecting Canadian advertising in U.S. media
 - (b) T.V. cable advertising deletion regulations.

The U.S. members of Committee I were Senators Burdick and Gravel and Representatives Morgan (co-chairman), Fascell, Meeds and McEwen. The members of the Canadian delegation on Committee I were Senators Macnaughton (co-chairman) and Flynn and, from the House of Commons, Messrs. MacDonald, Guilbault, Marshall, Oberle, Robinson and Campbell.

REPORT OF COMMITTEE I

Other members of both delegations participated actively in the Committee's discussions of the various issues included on the Committee's agenda. The issues related to a number of specific transborder environmental problems, Law of the Sea questions, and the effects of Canadian cultural legislation. The latter subject was also the subject of discussions in Committee II.

GREAT LAKES WATER QUALITY AGREEMENT

Both Canadian and U.S. delegates noted with satisfaction the real progress that has been made on both sides toward achievement of effective pollution control relating to the Great Lakes. The Canadian delegation reported that virtually all construction projects related to the Water Quality Agreement are either completed or under construction. The U.S. delegates acknowledged that only about 60 percent of

the work necessary in the United States had been completed but reported its conviction that U.S. progress toward full implementation of the Water Quality Agreement would continue at a satisfactory pace. U.S. delegates agreed on the importance of the U.S. rapid fulfillment of the mutual commitments made in the Water Quality Agreement. A U.S. delegate estimated that completion of facilities in the Detroit area in late 1976 should raise U.S. completion of targeted facilities to 80 percent and that it should be possible to reach 95 percent by 1978.

Specific discussions were held on the continuing problem of phosphate pollution in western Lake Erie as a result of chemical wastes and the problem of PCB pollution in Lake Ontario, which a U.S. delegate suggested was a new issue deserving of further consideration. Both delegations agreed these issues should be dealt with and that special consideration should be given to an examination of air pollution problems and the possibility that they are contributing to water pollution in the lakes. The Canadian delegation pointed to the need for early recognition of possible new pollution sources and cited as a constructive step Canada's new law requiring industry to inform the government of possible environmental hazards of new products.

As progress is made toward dealing with sewage and chemical wastes, members of both delegations stressed the need for action to control the pollution related to both commercial and recreational boating on the lakes. The differing approaches to control of vessel pollution was raised as a possible obstacle to more effective controls.

GARRISON DIVERSION PROJECT

Canadian delegates expressed their deep concern that the Garrison Diversion project in North Dakota might do major environmental damage in Manitoba by increasing flooding on the Souris River, by degrading the quality of the river water, and by possibly leading to the introduction of new and possibly destructive parasites or fish diseases into Canada. The Canadian Government has objected to the project on grounds that its impact on Canada might be in violation of the Boundary Waters Treaty.

A U.S. delegate from the area concerned stressed the benefits to North Dakota agriculture which would result from the project authorized by Congress 10 years ago. He indicated that there is not sufficient information to confirm the fears expressed in Canada and indicated that it was to be hoped that Canada would reserve judgment on the project until the International Joint Commission has completed its review of possible environmental effects.

Canadian delegates suggested that the United States consider alternatives to the project as presently planned which might accomplish the purposes of the project while maximizing protection of Canadian interests. American delegates agreed that no work should be carried out which would adversely affect Canada. U.S. delegates pointed to differences between bureaus in the U.S. Government over the project and an on-going review of the project in the House of Representatives. Both sides agreed that they would await the results of the International Joint Commission's study and expressed the hope it would be completed in 1976.

FLATHEAD RIVER

The U.S. delegation expressed concern over possible environmental damage to the Flathead River in Montana from coal mining operations in the area of the river's watershed in British Columbia. It was pointed out that the Flathead is part of the U.S. Scenic River System and that because of its unspoiled nature it is a center of tourism in Montana. Damage to the river, it was argued, could seriously damage the tourism sector of the area's economy.

Canadian delegates acknowledged that feasibility studies were being conducted with respect to mining operations but indicated that while there might be an impact it could conceivably be beneficial since darkening of the river's waters might increase fish size. Canadian delegates did state, however, that the Federal and Provincial Governments were consulting closely on possible mining operations and that nothing would be done that would violate the Boundary Waters Treaty. An American delegate expressed reservations about the adequacy of the treaty's protection of water quality and suggested efforts be made to tighten the treaty's provisions.

SKAGIT RIVER VALLEY

Seattle's requirements for power involve a possible increase in the height of a dam on the Skagit River. Such construction would be based on an existing contract between Seattle and British Columbia. The construction would, however, lead to flooding of the Skagit Valley. Canadian delegates expressed the hope that flooding of the valley could be avoided and both sides agreed that alternatives should be sought and that efforts should be made by the concerned city and Provincial officials to seek a new arrangement.

RICHILIEU AND LAKE CHAMPLAIN

Both United States and Canadian delegates expressed concern about flooding on the Richilieu River, which flows from Lake Champlain to the St. Lawrence River. Concern was expressed by U.S. delegates, however, that the flood control works might damage the ecology of Lake Champlain. U.S. delegates expressed the hope that no work would be done by Canada until completion of further environmental studies by the International Joint Commission. Canadian delegates indicated that Canada would not go forward with the project until the final Commission report is completed.

COASTAL POLLUTION PROBLEMS

1. East Coast-Eastport

U.S. delegates reported that efforts to build a refinery at Eastport, Maine, continue to be vehemently opposed by environmentalists. Maine's approval of the project is under appeal in the courts, but that approval was contingent on Canada's approval of tanker passage through its waters to Eastport.

Canadian delegates reported their continuing determined opposition to the refinery and to approval of transit rights through Canadian waters.

Both delegations agreed that tidal power is deserving of further consideration as an alternative energy source and it was suggested that both countries consider a joint research effort.

2. *West Coast*

Canadian delegates expressed their continuing concern over possible damage to Canada from oil spills related to oil tanker traffic through the Strait of Juan de Fuca into Puget Sound. It was urged that the United States consider alternative sites as tanker terminals which would reduce the risk to Canada. Growing opposition to the tanker traffic was reported in Washington State, and it was noted with approval that the State is attempting to limit the size of tankers allowed in Puget Sound despite projections which show that there may be a dramatic increase in the quantity of oil to be processed or transshipped through Washington.

U.S. delegates noted the increasing dependency on oil brought by tanker and said that the problem was further complicated by Canada's decisions to restrict energy exports to the United States and by Canadian price increases. American delegates noted their own new perspective on the pollution threat to the area as a result of the possibility that 3 to 4 times as much oil might be shipped daily through the strait than had previously been estimated.

The need for further improvements in the vessel management system in the Puget Sound and Strait of Juan de Fuca area was raised by a Canadian delegate. U.S. delegates agreed that the system, designed to prevent vessel collisions, should have high priority.

Both delegations agreed that more research needs to be done into methods of coping with large oil spills.

WATER BOUNDARY ISSUES

The boundary issues arise from the extension of maritime jurisdictions beyond the areas of traditional jurisdiction. Both delegations agreed that each of the distinct boundary issues on the east and west coasts should be considered individually on their merits.

With respect to the east coast the Canadian delegates explained the Government's position defining the boundary based on a median line theory. The U.S. delegation outlined the American position that special geographical features dictate that the Georges Bank area is a part of the United States. It was noted that Canada has traditionally had fishing interests on the Georges Bank.

A Canadian delegate stated that exclusive attention should not be paid only to problems on the east coast but that attention should be paid by both governments to the three areas of border definition on the west coast.

The U.S. delegation explained that recent U.S. legislation dealing with extension of resource management to 200 miles would not affect the negotiations concerning United States-Canadian boundaries and was designed to be consistent with possible action by the United Nations Conference on the Law of the Sea.

LAW OF THE SEA

Canadian delegates expressed their concern that the United States expected decision to extend fisheries protection to 200 miles might make a successful conclusion to the Law of the Sea Conference more difficult. Likewise, it was said that unilateral U.S. action might hamper United States-Canadian cooperation on fisheries and interfere with Canadian efforts to establish bilateral arrangements with other fishing nations.

U.S. delegates outlined the provisions of the legislation which was expected to emerge from differing House and Senate versions. The U.S. members described the anticipated U.S. action as an interim regime which would complement multilateral efforts at resource management and which should not hamper either Canadian efforts with third nations or joint United States-Canadian fisheries cooperation. The U.S. representatives expressed their view that the U.S. action might foster a successful conclusion to multilateral negotiations rather than complicate the negotiations.

A Canadian delegate expressed his fear that the U.S. action might encourage rapid moves by U.S. interests into exploitation of minerals on the deep seabed.

CANADIAN CULTURAL LEGISLATION AND REGULATIONS

Recent Canadian decisions to change tax laws affecting Canadian advertising in U.S. media and to require deletion of advertising from U.S. television program rebroadcasts on Canadian cable systems precipitated a lively debate that revealed significant differences on the issues within each delegation.

A U.S. delegate argued that Canada's actions violated the General Agreement on Trade and Tariffs and would produce retaliatory action in the United States, including possible attempts to prevent U.S. broadcasting signals from reaching Canada. Other U.S. delegates suggested that there is still room for compromise and that talks among interested parties should be held.

Canadian delegates divided between those who detailed the difficulties of Canadian media and their need for special protection in order to promote Canada's independent cultural heritage and those who viewed the Canadian actions as violations of economic freedom.

Both delegations agreed that it was constructive that substantive negotiations between both governments had at last begun.

CONCLUSION

All delegates agreed on the value of the conversations held to their understanding of the important issues on the committee's agenda. It was noted by all members of the Committee that they regretted that Representative Morgan's decision to retire from Congress would bring to a conclusion his great contributions to the Interparliamentary Group and to the Committee which he has so ably cochaired with Senator Macnaughton.

COMMITTEE II—TRANS-BORDER ECONOMIC ISSUES

1. Auto Pact Agreement.
2. U.S. Dumping Charges and Countervailing Duties.
3. Multi-National Corporations:
 - U.S. application of controls on trade with Cuba;
 - Canadian Foreign Investment Review Act, Phase 2;
 - Extension to Canada of United States restrictions on political contributions;
 - Saskatchewan take-over of potash companies.
4. Canadian anti-inflation program.
5. Canadian cultural legislation and regulations:
 - (a) Income Tax Changes affecting Canadian advertising in United States media.
 - (b) T.V. cable advertising deletion regulations.
6. Multilateral trade negotiations:
 - (a) Canadian approach.
 - (b) United States approach.

Committee II was co-chaired by Representative Sam M. Gibbons and the Honorable Martin O'Connell. Other members from the U.S. delegation were Senators Hathaway and Curtis and Representatives Randall, LaFalce and Kemp. Also representing the Canadian delegation were Senators Asselin, Benidickson and Godfrey and, from the House of Commons, Messrs. Alexander, Trudel, Roberts, Lumley and Young.

REPORT OF COMMITTEE II

UNITED STATES-CANADIAN AUTOMOBILE PACT

The Auto Pact was placed on the agenda because of various reports in the media of dissatisfaction with the agreement. In fact, the discussion in the Committee revealed that the criticisms were more alleged than real and the result of the general ill-health of the two economies over the past several years than to the actual workings of the Pact.

It was noted that trade in automobiles and automotive parts has increased some ten-fold during the 11-year life of the agreement. Although each country may have suffered setbacks in specific areas of the industry—Canada has lost her tractor manufacturing and much of her automotive parts manufacturing—overall the automobile industry of both countries has benefited substantially from the agreement.

There was consensus that there was no need to rewrite the Pact, although a review would be useful, as is currently being conducted by both executives. The hope was expressed that both countries would avoid the clamor for more protection.

UNITED STATES DUMPING CHARGES AND COUNTERVAILING DUTIES

The issue of multinational corporations received less attention during the 17th meeting than at the 16th meeting—apparently because of the greater certainty over how Canada is implementing the new Foreign Investment Review Act and because of the decline in concern in the United States over the potential implications of foreign invest-

ment inflows. There was a clear understanding that the Canadian Foreign Investment Review Act was nondiscriminatory and was not intended per se to discourage foreign investment, but only to direct it into areas beneficial for Canada. U.S. controls on trade with Cuba generated very little discussion, primarily because the change in U.S. policy to Cuba has, for the most part, eliminated the problem. However, involving this same area of the extraterritorial application of U.S. law, there was concern expressed over efforts by the United States to apply its antitrust laws to Canadian subsidiaries of U.S. companies.

Most of the discussion of multinational corporations was directed to U.S. restrictions on political contributions in Canada and the efforts by Saskatchewan to take over the potash companies.

The focus on political contributions was primarily an exposition of the custom and practice in Canada. Since 1929 it has been legal for corporations in Canada to make political contributions. They have tended to give 60 percent of their contributions to the party in power and 40 percent to the opposition. U.S. corporations have been advised to divide their contributions among the parties, but U.S. subsidiaries have difficulty, first, accepting the principle of making political contributions, and, second, accepting the concept of giving to both parties. U.S. companies have pressured their Canadian subsidiaries not to make contributions. Prior to Watergate, approximately 25 percent of all contributions came from foreign corporations; since then, because of the new disclosure policy, U.S. subsidiaries have severely restricted their contributions.

In the discussions on multinational corporations, the attempt to take over the potash companies by the provincial government of Saskatchewan generated the most controversy. On this issue there was as much divergence of opinion within each delegation as between the two delegations. The discussion commenced with an explanation of the history of the Saskatchewan potash industry—the entry of the companies in the mid-1960's, the controversy over the imposition of additional taxes and the failure of the companies to expand production to meet growing demand, and the efforts of the provincial government to pass standby legislation to permit nationalization of the companies.

There was considerable attention devoted to the role of the Canadian National Government, particularly as to whether the Federal Government should inject itself into the matter and whether it could use its power of "disallowance" to veto an act of nationalization by the Provincial government. Despite considerable divergence of opinion on this issue, the balance of the argumentation and opinion fell with the position that possible takeover of the potash companies was clearly a matter within the Provincial jurisdiction—which is closely guarded—and that the Federal veto over Provincial decisions was more theoretical than fact, considering it has not been used in 40 years. Concern was expressed over the continued access of U.S. agriculture to potash supplies and over the possible damage that such a takeover would have for the investment climate in Canada. The members noted the irony that implementation of the prospective nationalization would require the floating of a major loan by the Province of Saskatchewan—probably in New York.

CANADIAN ANTI-INFLATION PROGRAM

Discussion of the new Canadian anti-inflation program, enacted December 3, 1975, primarily entailed an explanation of the details of the program and of the problems which a similar U.S. program ran into during 1973-1974. It was noted that a levy on excess export profits could lead to a transfer of production from Canada to the United States and that a two-tier price system might increase exports and thereby create domestic shortages. The U.S. delegates expressed the view that the U.S. economy entails too many variables and is too large—too complex—for such a program to succeed in the United States, but wished the Canadians luck with their anti-inflation program.

CANADIAN CULTURAL LEGISLATION AND REGULATIONS

The subject which engendered the most heated debate in Committee II was the deletion of advertising from U.S. broadcasts by Canadian television stations. As with the take-over of potash companies, there was a wide divergence both within and among the two delegations. Several Canadians explained the purpose of the deletion, mainly in terms of protecting the Canadian cultural identity. Several of the U.S. delegates argued that the policy was hypocritical because advertising was deleted but not programing—and that what was at stake was the economics, as witnessed by the position of the Canadian Government that Canadian dollars can be used to purchase commercials but that they must be repatriated to Canada.

The point was made that the deletion amounts to piracy of property rights and restricted the free flow of ideas. It was countered that the property rights involved are Canadian not United States—the right of Canada to use its own airwaves—and that, in fact, the television broadcasts could be considered an invasion of Canadian air space.

It was noted that 80 percent of television viewing in Canada involves programs for which Canadian stations pay some \$35-\$40 million a year for pre-release, and that deletion affects only 20 percent of the viewing population. It was mentioned that the U.S. stations are considering jamming their signals. Most of the Committee members viewed this with repugnance. One member questioned whether or not it was technically feasible to jam the broadcasts without affecting the U.S. audience.

There was clearly no consensus on the merits of the two sides, but there was consensus that the Canadian and United States Governments should devote considerable resources toward resolving the conflict. It was felt that, while at the moment this was a problem of regional scope and of little import for overall United States-Canadian relations, it had the potential for becoming highly politicized and endangering Canadian-United States relations. Several suggestions were tabled, such as providing Canadian programing or commercials according to the proportion of the market represented by the Canadian audience, or having the stations pay a levy to Canada on the basis of

market share. Mainly, all of the delegates expressed an earnest desire that the two governments proceed at once to try to reach an accommodation on this controversy.

The Committee also discussed the proposed legislation ending the exemption for Time Magazine and Reader's Digest from the law that disallows deducting as a business expense advertising in foreign-source media. The discussion of this issue was not heated and the consensus seemed to be that the law would be enacted but that the effect would be small. The Canadians took the position that with the enactment of the proposed legislation, Time and Reader's Digest would be treated the same as other non-Canadian publications.

MULTILATERAL TRADE NEGOTIATIONS

There was general agreement on the urgency for moving the GATT negotiations ahead. There is apparently little difference in the approach of the two countries to the trade talks. It was noted that the U.S. Congress is committed to lowering trade barriers and appreciates the desire for some Canadian protection in order to promote the development of its own industry.

COMMITTEE III—ENERGY, AGRICULTURE, AND THE U.N. SEVENTH SPECIAL SESSION

1. Energy:

- (a) Gas and oil exports.
- (b) Pipeline routes.
- (c) Pipeline treaty.
- (d) Tanker routes.

2. Agricultural Questions:

- (a) Egg and beef quotas.
- (b) Grain:
 - national marketing systems;
 - international perspective.

3. 7th Special Session of U.N.

Committee III was co-chaired by Senator Gale W. McGee and Senator Allister Grosart. Other members from the U.S. delegation were Senators Hollings and Stevens and Representatives Johnson, Pepper, Baucus, Ruppe and duPont. The Canadian delegation was also represented by Senators Lafond and van Roggen and, from the House of Commons, Messrs. Brewin, Rondeau, Murta and Bawden.

REPORT OF COMMITTEE III

ENERGY

Energy was clearly the main preoccupation of the delegates on both sides and a major portion of the Committee's time was devoted to this topic. A member of the Canadian delegation opened the discussion by observing that the most significant unresolved differences between the United States and Canada are in the field of energy and that it is of utmost importance that our respective governments reach agreement on outstanding issues. In this connection, it was suggested that one of the greatest problems facing both countries at this time is whether to transport natural gas from Prudhoe Bay to U.S. markets via an

Alaskan pipeline or by a pipeline down the Mackenzie River Valley. The two routes are currently under separate consideration by the Federal Power Commission in the United States and the National Energy Board in Canada. The studies on each of the alternative proposals are expected to be completed late in 1976 or early in 1977, and the Canadian delegates urged that any decision to proceed should be delayed until both regulatory bodies submitted their reports. They stressed that large sums of money are involved and that it seemed prudent to wait until the experts had reached their conclusions.

On the American side concern was expressed about the continuity of the decisionmaking mechanisms in Canada and whether a trans-Canada pipeline could be built in the timeframe necessary to allow delivery of Prudhoe Bay gas to U.S. markets. There was also some uneasiness over Canadian attitudes and intentions, particularly in view of past natural gas price increases and the curtailment of deliveries under government approved contracts, as well as the recent proposal by Saskatchewan to nationalize the potash industry. The question was also raised as to whether the Canadian Government was sincerely interested in a jointly owned pipeline across Canada. If so, it was suggested that more encouragement from the Canadians in this regard might be helpful.

Some American delegates also expressed concern that the National Energy Board of Canada had changed its regulations to justify the curtailment of crude oil exports to the United States. It was pointed out that in 1974 the National Energy Board concluded that Canada would not become a net importer of oil until 1983, but in a 1975 update of the NEB study this date was moved forward to 1981. The net effect of this is that Canadian exports of oil to the U.S. will be further reduced and the final cut-off date will come 2 years earlier than originally predicted. In response the Canadians stated that the early calculations made by the National Energy Board had been based on figures supplied in the main by Canadian subsidiaries of American oil companies and had proven inaccurate, since new discoveries had not materialized at the expected rate. Moreover, with rising consumption, the reserve position had deteriorated substantially and the National Energy Board had been obliged to reassess its calculations. In order to reduce the impact on American refineries that have no alternative sources of supply other than Canada, it was suggested that a swapping arrangement might be worked out.

With regard to Canada's long term contractual obligations to export natural gas to the United States, it was pointed out that natural gas exports are subject to licensing by the National Energy Board which may vary the quantity and price since it is required by law to determine that exports are surplus to Canadian needs and reasonably priced. Mention was also made of the fact that Canada supplies less than 5 percent of total U.S. natural gas consumption; yet this represents one-half of Canada's production. As a consequence, there is a shortage of natural gas in Canada and exports may have to be curtailed even further if all potential Canadian users cannot be satisfied. The American delegation expressed concern over this possibility and received assurances that, if cutbacks were in fact to be made, no action would be taken without prior consultation. An American delegate raised the issue of natural gas prices by observing that Canadian export prices have risen from an average price of 32 cents

per thousand cubic feet in 1973 to \$1.60 per thousand cubic feet in 1976. He felt this fivefold increase in prices over the last 3 years was discriminatory and urged the Canadians to phase export price increases more gradually to lessen the burden on U.S. customers.

On January 28, 1976, United States and Canadian officials initialed a general agreement covering transit pipelines designed to provide a framework of reciprocal assurances regarding security of throughput and nondiscriminatory treatment. This *ad referendum* agreement was the subject of considerable discussion by members of both delegations. Of particular concern to the Americans is the difference between United States and Canadian constitutional structures and practice, especially with respect to the taxing authority of the provinces. The Canadian delegates explained that the proposed treaty did not require provincial approval and that the federal government would be prepared to seek written assurances (in the form of a protocol to the treaty) from any province through which pipelines passed. In addition, it was pointed out that the United States could insist on security safeguards before agreeing to the treaty and that the Canadian Federal Government has the power to disallow any provincial action, if necessary.

AGRICULTURE

A member of the Canadian delegation reported on agricultural relations between the United States and Canada. He observed that problems between the two countries had never been insurmountable and at the present time our differences are negligible. He noted that the United States and Canada recently returned to free trade in the livestock and meat sector, thus doing away with one of our outstanding agricultural problems.

On the other hand, however, there still remains a minor irritant in our relations which is caused by the imposition by Canada of import quotas on eggs and egg products. The United States is almost the sole supplier of shell eggs to Canada. It is expected that bilateral consultations on this problem will continue in an effort to arrive at a mutually acceptable import quota.

The Canadian delegate also submitted a paper which stated that trade in potatoes between the United States and Canada had favored the American grower by a ratio of 2 to 1 and that, as a result, the maritime provinces face serious economic hardship and dislocation in periods of low or uncertain returns to their potato producers. The delegate concluded by saying that trade problems between the United States and Canada had been worked out to the satisfaction of both parties in the past and that there was no reason why this could not be done in the future. The American cochairman agreed with the Canadian delegate's summary and suggested that our geographic proximity and community of interest were two important factors contributing to the relatively easy resolution of agricultural problems between the United States and Canada.

SEVENTH SPECIAL SESSION OF THE U.N.

The American cochairman opened the discussion on the New International Economic Order by pointing out that the Seventh Special Session of the U.N. had been an important breakthrough in reaching accommodation with developing countries on major economic ques-

tions. The United States, he said, actually came forth with concrete proposals dealing with such matters as trade, transfer of real resources, science and technology, industrialization, and food and agriculture. He also presented the members of Committee III with the formal report of the Congressional Advisers to the Seventh Special Session as well as background material on the status of U.S. proposals. In response, a Canadian delegate agreed that the Seventh Special Session had been a productive meeting and praised the U.S. congressional advisers for taking the initiative. In his opinion, the Seventh Special Session represented a "turnaround" and he was pleased that the meeting was characterized by an atmosphere of cooperation rather than confrontation.

Although some skepticism was expressed as to whether the United Nations could achieve the goals set forth at the Seventh Special Session, it was generally agreed that further discussions on the New Economic Order would be helpful. In this connection, it was suggested that the topic ought to be the subject of periodic ad hoc meetings between American and Canadian legislators.

PLENARY SESSION—CANADIAN-UNITED STATES RELATIONS

In addition to hearing reports summarizing the discussion in each of the Committees, the plenary session considered the overall state of Canadian-United States relations.

The discussion commenced with one of the U.S. delegates stating that the major problem in Canadian-United States relations was the lack of knowledge of Canadian affairs both within the Congress and among the U.S. population as a whole. In explaining this situation, he quoted from the study "Canada-United States Relations: The Institutional Framework for the Relationship," recently released by the Canadian Senate Committee on Foreign Affairs:

In line with the deep concern expressed earlier that the need for a much closer liaison with Congress was essential, the Committee is convinced that more attention should be paid to getting factual information about Canada to Capitol Hill. It recognizes that this is not an easy task. While the embassy publication *Canada Report*, which seeks to explain authoritatively controversial Canadian policies is a good effort, it is clearly inadequate for the job although it may be useful to some congressional staff. A typical Congressman's mail basket like that of his Canadian counterpart, overflows with an endless stream of brochures, press releases, booklets, promotional flyers, leaflets and pamphlets making it an awesome task to winnow through, even for the most discerning staff member or Congressman. For this reason, published material is of relatively little value if it is not read. Initial approaches to Congress have to be made on a person-to-person basis. Personal links have to be developed carefully over a considerable period of time so that when issues crop up that need direct explanations, a channel will be available to an important Committee, and interest developed in any supplementary written material.

The Committee is concerned that such contact is minimal at present. How much information work for example has the embassy done in Congress in putting across Canada's and Manitoba's opposition to the Garrison Diversion project in North Dakota? This is an area where the U.S. Bureau of Reclamation is busily bolstering its case for the project in Congress. But has Congress been getting the Canadian side of the story? The same question could be asked in respect of other border irritants such as Point Roberts or the Skagit flooding or Great Lakes pollution. If the federal government does not move in this area, the Committee foresees that the provinces, out of desperation, will. Such a multiplication of the Canadian voice could become very dangerous to Canada's international image.

Another case in point is the auto pact trade figures. While numerous outspoken Congressional leaders knew in 1972 that the balance of automotive trade had been in Canada's favour by \$230 million in 1971, how many Congressmen know that it was in the U.S. favour by \$1.3 billion in 1974? Has the embassy the facilities to put these figures across to the members of the Ways and Means Committee? Has the embassy the personnel and budget capacity to contact those Congressmen who are currently protesting Canadian cable advertising deletion regulations or Canadian oil and gas export prices and to present them with the Canadian side of the issue?

The Committee considers that a more vigorous government information program with the Congress is a matter of prime importance and should be pursued in the context of a closer liaison in general with U.S. legislators.

The discussion was continued by one of the Canadian representatives explaining his view of United States-Canadian relations. He emphasized that Canadians are not hostile to the United States, but they do want to maintain a separate identity from the United States. Although United States-Canadian relations have, in general, been cordial, the two neighbors have not always been the best of friends. In 1775 one-third the population of Canada were refugees from the American Revolution; and U.S. forces burned Toronto during the War of 1812 and the Fenians undertook raids into Canada during the 1860's. The formation of Canada was, to a large extent, a response to the threat from the South—to the ending of the Reciprocity Treaty and to the fact that at the end of the Civil War the United States had the largest standing army in the world.

On the other hand, there are major factors binding the two nations together—roots in British representative government, frontier experience, emigrants rejecting a society built on class, idealist view of the free man and democratic institutions. The post-war conflict over defense policies has been settled, and the United States and Canada have many of the same international economic goals.

However, there are three areas which may cause difficulty in United States-Canadian relations in the coming years. One is the efforts to maintain a Canadian cultural identity. While U.S. industrial and economic penetration is perturbing to many Canadians, the more basic issue is cultural and media penetration, as is evidenced by the

controversies involving TV commercial deletion and tax-deduction for advertising in *Time* and *Readers Digest*. There is deep Canadian concern over the weakness of the Canadian publishing and film industries, the domination by American periodicals of the Canadian market, and the large flow of U.S. academic and literary persons and publications to Canada. There is a need to build up the Canadian cultural structure, which may require restrictions on the free flow of ideas. There is a need for the United States to understand the Canadian point of view on this matter.

Second, the extraterritorial application of U.S. law may cause additional problems in United States-Canadian relations. There is particular concern over the attempt to apply U.S. anti-trust laws against the Canadian subsidiaries of U.S. corporations, particularly as it impacts on the Canadian economy and competitiveness.

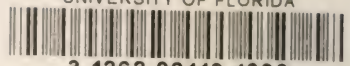
Third, the two economies are not altogether complementary, and one country may have to take actions which impinge on the other. This is particularly the case in the area of employment. Canada has one of the highest influxes into the labor force of any industrial country and needs to expand its employment base. Unfortunately, Canada is most efficient in non-labor intensive industries—mainly natural resource extraction. Furthermore, economic difficulties are created by the fact that the Canadian economy is small and transportation costs are high. Canada may be forced to take actions—such as exceptions to the Auto Pact, regional incentives, and measures to increase local processing of raw materials—which increase employment in Canada at the expense of employment in the United States.

Despite these potential difficulties and the fact that Canadians do not want their country to be a carbon copy of the United States, the prospect for good relations is very favorable.

Another member of the Canadian delegation noted that, contrary to the impression left by media reports, United States-Canadian relations are not worse, only more complex than before. The magnitude of relations between the two countries is greater than for any other two countries in the world, and include some 763 separate arrangements between U.S. states and Canadian provinces. The automatic years of United States-Canadian relations are over; maybe there needs to be improved mechanisms to deal with the increasing number of problems.

Several members from both countries reiterated the point that a major block to better United States-Canadian understanding was the lack of knowledge in the United States of Canada and Canadian concerns. Aside from the War of 1812, little mention is made of Canada in history courses in U.S. schools. There was a consensus that good relations depend on an awareness of the other country's points of view and interests. Although it was noted that today there is little difficulty in handling Canadian-United States problems in the U.S. Congress—there is no spirit of competition or hostility—little irritations grouped together can produce major conflicts, unless there is a deeper understanding of Canadian interests. What is required is an improvement in the communication of the Canadian position to the U.S. Congress.

It was generally felt that the discussions carried on by the Canadian-United States Interparliamentary Group are helpful in creating an appreciation for the other country's point of view and that their common heritage will continue to allow the two nations to work together.



RESULTS OF MEETING

The 17th meeting of the Canada-United States Interparliamentary Group provided legislators from both countries with another opportunity to discuss informally bilateral issues of mutual concern. In a relationship as extensive as the one we share with Canada it is inevitable that problems will continue to arise. What is remarkable, however, is our ability to resolve them in an effective and constructive manner through consultation and accommodation. In this respect, these meetings continue to be beneficial to both sides. The frank and friendly nature of our discussions give us a better understanding of each others attitudes and are clearly helpful in finding solutions to our problems.

I want to take this opportunity to pay a special tribute to Congressman Thomas E. Morgan, the Chairman of the House delegation. Congressman Morgan, who announced his retirement earlier this year, was elected to the House of Representatives on November 7, 1944, and has been Chairman of the International Relations Committee since 1959. For the last 3 years he has served with me as Co-chairman of the U.S. delegation to the Canada-United States Interparliamentary Group. During this time the success of our annual conferences can be attributed in large measure to Congressman Morgan's dedication and hard work. I am sure I reflect the views of the entire U.S. delegation when I commend him for his many accomplishments as a Member of the House of Representatives and express my deep appreciation to him for his many contributions to our annual conferences as well. He has been a great asset to the U.S. delegation and we will miss him in future gatherings with our Canadian friends.

In addition, I wish to take this occasion to express my appreciation to the other members of the House delegation. They were most cooperative and helpful and I am deeply grateful to them. I also want to thank my Senate colleagues for their participation in our discussions. All of them deserve the highest praise for contributing to an extremely successful conference.

Finally, on behalf of the Senate delegation, I wish to express our sincere appreciation to Senator Alan Macnaughton and Mr. Martin O'Connell, the conscientious and hardworking Co-chairmen of the Canadian delegation. A vote of thanks is also due to Madame Renaude Lapointe, the Speaker of the Canadian Senate, and the other members of the Canadian delegation, including their able and competent staff. The contributions which they made resulted in a very fruitful meeting.

FINANCIAL STATEMENT

At the time of the filing of this report, the total amount of expenses incurred by the Senate delegation in connection with its participation in the 17th Canada-United States Interparliamentary Meeting is estimated to be approximately \$17,000. A detailed report showing all expenditures will be filed with the Senate later in accordance with law.